BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water Company for Authority (1) to Issue up to $200,000,000 of Unsecured Long-Term Debt and (2) to Issue and Sell Additional Common Stock to, or Receive Additional Paid-in Capital from Its Parent Company in an Aggregate Amount up to $105,000,000	))))))	**WF-2007-0279**

ORDER DIRECTING STAFF TO FILE A PLEADING STATING WHEN IT WILL FILE A RECOMMENDATION IN THIS CASE

Issue Date: May 27, 2008 Effective Date: May 27, 2008

On January 24, 2007, Missouri-American Water Company ("MAWC") filed an application seeking authority to issue notes in one or more series evidencing up to $200,000,000 of long-term indebtedness payable to American Water Capital Corporation (AWCC").[1] MAWC also proposed to issue and sell, from time to time, shares of common stock, no par value, to American Water Works Company, Inc., or receive additional paid-in-capital, in an aggregate amount not to exceed $105,000,000.[2] On April 5, 2007, the Commission issued its Order Granting Financing Application (the "Order") pursuant to which the Commission granted the authority requested subject to certain conditions.

With respect to the issuance of new long-term unsecured debt, the authorized interest cost was capped by the Commission at 2.00 percentage points (200 basis points)

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[1] MAWC's application was filed pursuant to Sections 393.190 and 393.200, and 4CSR 240-2.060, 4 CSR -2.080, and 4 CSR 240-3.615.

[2] MAWC is engaged in the business of furnishing water and wastewater services in over one hundred municipalities within twelve counties throughout Missouri. MAWC planned to use the net proceeds from the new long-term debt and new common stock to acquire property, or construct and improve its facilities.

above the yield on U.S. Government Treasury Bonds having similar terms of maturity. MAWC anticipates that it will issue additional unsecured indebtedness under the authority granted by the Commission by no later than September 30, 2008; however, the interest rate cap has become an obstacle to doing so because of current market conditions. AWCC's recent negotiations with banks interested in purchasing AWCC notes have indicated interest rates on ten- and fifteen-year notes that are 2.80 percentage points (280 basis points) and 3.10 percentage points (310 basis points), respectively, above the then-current ten-year U.S. Treasury note rate. Thus, the increase in the spread to AWCC for the 10-year note from March 2007 to April 2008 is 170 basis points. The increase in the spread to AWCC for the 15-year note over the same time period is 185 basis points.

MAWC asserts that rates quoted to AWCC in April 2008 are a function of changes that have occurred in the credit markets since March 2007. Consequently, MAWC is not currently able to issue new long-term unsecured debt at an interest rate that is at or below 2.00 percentage points (200 basis points) above the yield on a U.S. Treasury Bond possessing a similar term to maturity.

MAWC proposes to issue up to and including $97 million of additional long-term indebtedness payable to AWCC under the authority granted to it by virtue of the Commission's Order, and MAWC claims there is good cause for the Commission to grant it more flexibility by increasing the interest rate cap limitation from 2.00 percentage points (200 basis points) to 3.25 percentage points (325 basis points) above the yield on U.S. Government Treasury Bonds having similar terms to maturity.

MAWC requests the Commission to reopen this case for the purpose of issuing a supplemental order modifying its April 5, 2007 Order that would authorize MAWC to issue new long-term unsecured indebtedness payable to AWCC at an interest rate, including any applicable spreads/discounts, that shall not exceed 3.25 percentage points (325 basis points) above the yield on U.S. Government Treasury Bonds having similar terms to maturity as published in *The Wall Street Journal* on the date prior to the date on which the terms and conditions of the indebtedness shall be determined.

The Commission will need a recommendation from its Staff before acting on MAWC's motion. Therefore, the Commission will direct its Staff to promptly respond to MAWC's motion and will permit any other interested party to respond. Staff shall indicate in its response when it will be able to file a recommendation in this matter.

IT IS ORDERED THAT:

1. No later than June 2, 2008, the Staff of the Missouri Public Service Commission shall file a pleading responding to Missouri-American Water Company 's "Motion to Reopen Case and For Supplemental Order" and state in that response when it anticipates filing its recommendation in this case.

2. Any other party that wishes to respond to Missouri-American Water Company's motion shall do so no later than June 2, 2008.

3. This order shall become effective on May 27, 2008.

BY THE COMMISSION

Colleen M. Dale
Secretary

(S E A L)

Harold Stearley, Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 27th day of May, 2008.